Francana Development
Corporation Limited

Annual Report 1968

MANAGEMENT
LIBRARY
JUIN 77
McGILL UNIVERSITY

Directors

B. Lechartier
Vice President & General Manager, Crédit Foncier Franco-Canadien
Director, Bank of Montreal

M. W. Rush
Chairman, Hudson Bay Mining and Smelting Co., Limited
President, Anglo American Corporation of Canada Limited

J. Debray
Assistant General Manager, Crédit Foncier Franco-Canadien
Executive Vice-President, Francana Oil & Gas Ltd.

G. J. Risby
Vice-President, Treasurer, Anglo American Corporation of Canada Limited

M. M. Tomilin
Vice-President (Exploration), Francana Oil & Gas Ltd.

Officers

B. Lechartier
Chairman and President

J. Debray
Executive Vice-President

M. B. Harding
Vice-President, Secretary-Treasurer

612 St. James Street, Montreal 101, Quebec
514 845 7114

Directors' report

Net income of Francana Development Corporation Ltd. and its wholly-owned subsidiaries for the year ended December 31, 1968, amounted to $819 233 compared to $447 924 for 1967. The company's major sources of revenue were dividends from Hudson Bay Mining and Smelting Co. Limited and Francana Oil & Gas Ltd. and the income of Frandevcor Investments Ltd., a wholly-owned subsidiary of Francana Development Corporation Ltd.

During the year there was no change in the issued capital of Francana Development Corporation Ltd. The ownership of the company remained unchanged with Crédit Foncier Franco-Canadien owning sixty percent and Anmercosa Investments Limited, a wholly-owned subsidiary of Anglo American Corporation of Canada Limited, holding the balance of forty percent.

In 1968 Francana Development Corporation Ltd. (FDC) invested $3 348 540 in its two mining projects, the Sylvite of Canada Ltd. potash complex and the Francana Minerals Ltd. sodium sulphate plant. This investment of $3 348 540, which was made partly through Hudcana Development Corporation Ltd. ($3 060 540) and partly by the direct subscription for preferred shares of Francana Minerals Ltd. ($288 000), completed FDC's original commitment to provide a total of $4 350 000 for the Sylvite of Canada Ltd. and Francana Minerals Ltd. projects.

Towards the end of the year Hudson Bay Mining and Smelting Co. Limited took over complete control of the potash project through the purchase of the entire assets of Sylvite of Canada Ltd. As a result of this transaction, FDC received 87 500 Hudson Bay Mining and Smelting Co. Limited shares. The interest of FDC in the Sylvite project is now held through the medium of its shareholding in Hudson Bay Mining and Smelting Co. Limited instead of through Hudcana Development Corporation Ltd.

At year end FDC owned 152 000 Hudson Bay Mining and Smelting Co. Limited shares which represents five percent of that company's issued stock. Hudson Bay Mining and Smelting Co. Limited's net earnings for the year were twenty-six percent higher than in 1967. After taking into account on a weighted basis the new shares Hudson Bay Mining and Smelting Co. Limited issued in December 1968 to acquire the assets of Sylvite of Canada Ltd., the company's earnings per share were $7.42 compared to $5.93 in 1967 and the company paid a dividend of $4.00 per share in 1968.

In November and December 1968, FDC incorporated two new wholly-owned subsidiaries, Frandevcor Explorations Ltd. and Frandevcor Ventures Ltd. respectively. These two companies, together with Frandevcor Investments Ltd., which was incorporated in December 1967, put FDC in a position to implement its objective of participating in a variety of investments in the natural resources and industrial fields.

Francana Oil & Gas Ltd.

Apart from its holdings in Hudson Bay Mining and Smelting Co. Limited, Francana Development Corporation Ltd.'s major investment in the natural resources field is Francana Oil & Gas Ltd. of which it owns forty percent. During the year ended December 31, 1968 Francana Oil & Gas Ltd.'s net oil and gas income was just in excess of $2 million with a cash flow of $1.5 million. The company increased its oil reserves by about 20% mainly as a result of the implementation and the good performance of secondary recovery schemes. Gas reserves at year end were approximately ten percent higher than at the end of 1967. The company acquired a good acreage position in the Arctic and the Northwest Territories, which will be the scene of extensive exploration work in the next few years. In addition, the company acquired an exploration permit with uranium and base metal potential in the Wollaston Lake area of Saskatchewan. Francana Oil & Gas Ltd., which is debt free, continued to build up a strong cash position during the year. FDC received $169 320 in dividends from the company in 1968.

Hudcana Development Corporation Ltd.

Hudcana Development Corporation Ltd. is owned sixty percent by Hudson Bay Mining and Smelting Co. Limited, thirty percent by FDC and ten percent by Anmercosa Investments Limited. During the year FDC invested $3 060 540 in Hudcana Development Corporation Ltd. (HDC) partly by subscribing for HDC treasury shares ($2 910 540) and partly in the form of an advance to HDC ($150 000). These sums represented the completion of FDC's commitment to provide thirty percent of the capital which HDC was obligated to make available to Sylvite of Canada Ltd. and to Francana Minerals Ltd.

In October Hudcana Development Corporation Ltd. reduced its authorized capital by distributing its holdings of Sylvite of Canada Ltd. shares pro rata to its shareholders. At year end Hudcana Development Corporation Ltd.'s assets consisted of a sixty percent ownership of Francana Minerals Ltd. and a thirty-eight percent ownership of Tombill Mines Limited.

Sylvite of Canada Limited

The sinking of the twin shafts by Sylvite of Canada Ltd. (SOC) progressed on schedule and by year end the two shafts had reached depths of approximately 1 070′ and 1 300′ respectively. Design and construction of the mill continued on target and the entire SOC potash complex is expected to be on stream late in 1970 as planned.

In September the shareholders of Sylvite of Canada Ltd., namely Hudcana Development Corporation Ltd. (85%) and Tombill Mines Limited (15%), approved the sale of all of Sylvite's assets to Hudson Bay Mining and Smelting Co. Limited (Hudbay) in exchange for Hudbay shares and promissory notes. The Sylvite of Canada Ltd. shareholders also approved the winding-up of the company after completion of this sale. In December FDC received 87 500 Hudbay shares as a result of this winding-up process.

The Sylvite potash project will now be developed and operated as a division of Hudson Bay Mining and Smelting Co. Limited. FDC will participate in the profits of this new potash mining complex through its holdings of Hudson Bay Mining and Smelting Co. Limited shares.

Francana Minerals Ltd.

Francana Minerals Ltd. operates a sodium sulphate plant in Cabri, Saskatchewan. During the year FDC invested $288 000 in Francana Minerals Ltd. (FML) through the purchase of redeemable preferred shares. Construction of the company's Saskatchewan sodium sulphate plant was finished virtually within budget and it went on stream as scheduled in November 1968. The price of sodium sulphate firmed up towards the end of 1968 and it appears that the FML operation will live up to all expectations in regard to profitability.

Frandevcor Investments Ltd.

Frandevcor Investments Ltd. (FIL) was incorporated to invest in listed securities. During 1968 FIL's portfolio was built up from $247 000 at the start of the year to $2 326 000 at year end and the average amount invested was $1 400 000. The company had a net profit of $257 789 for the year ended December 31, 1968 after providing for taxation and writing down securities by $62 919 to the lower of cost or market.

Frandevcor Explorations Ltd.

Frandevcor Explorations Ltd., (FEL) was incorporated in November 1968 to participate in the exploration and development phases of the mining and petroleum industries. At year end FDC was a participant in a mining exploration syndicate that is active in the Highland Valley area in Southern British Columbia and in addition FEL held a small number of claims in that area.

Frandevcor Ventures Ltd.

Frandevcor Ventures Ltd. (FVL) was incorporated in December 1968 to make medium and long-term investments in fields other than that of natural resources. In December FDC subscribed for $200 000 of FVL treasury stock. By year end FVL had made minority equity investments in two small Canadian industrial ventures. FDC will be investing additional funds through the medium of FVL in 1969 and subsequent years.

New Investments

FDC and its wholly-owned subsidiaries are interested in finding profitable investment opportunities in the fields of natural resources and industrial operations. FDC is seeking oil and gas investments such as the purchase of reserves or equity participation in small or young oil companies; in the mining field, FDC is interested in situations ranging from the participation in exploration syndicates to the giving of undertakings to finance mining projects to production; in the industrial field, FDC is prepared to take minority or majority equity positions in new or profitable, established private or public companies that offer the opportunity of long-term growth.

B. Lechartier,
Chairman and President.

February 14, 1969.

Francana Development Corporation Ltd.
and Subsidiary Companies

Consolidated Balance Sheet
as at December 31 (Note 1)

	1968	1967
Assets		
Current Assets		
Cash	**27 333**	973
Accounts receivable	**22 636**	—
Accrued interest	**356**	14 534
Demand or Short Term Deposits	**1 142 000**	6 649 000
Trading securities (Note 2)	**2 326 068**	246 786
	3 518 393	6 911 293
Advances		
to Hudcana Development Corporation Ltd.	**150 000**	—
Investments at cost		
Quoted (Note 3)	**7 780 030**	4 127 625
Unquoted	**2 220 485**	2 357 850
	10 000 515	6 485 475
Miscellaneous	**2 544**	—
	$13 671 452	$13 396 768

Approved by the Board of Directors
M. Rush, Director
J. Debray, Director

	1968	1967
Liabilities		
Current Liabilities		
Accounts payable	**46 583**	1 610
Provision for income taxes	**142 798**	11 320
Note payable	—	320 000
	189 381	332 930
Shareholders' Equity		
Capital stock		
Authorized		
2 000 000 common shares without nominal value		
Issued and fully paid		
1 000 000 shares	**12 800 000**	12 800 000
Retained earnings	**682 071**	263 838
	13 482 071	13 063 838
	$13 671 452	$13 396 768

Francana Development Corporation Ltd.
and Subsidiary Companies

Consolidated Statement of Retained Earnings
year ended December 31

	1968	1967
Balance, January 1	**263 838**	—
Add		
Net income for the year	**819 233**	447 924
	1 083 071	447 924
Deduct		
Dividends	**400 000**	180 000
Incorporation expenses	**1 000**	4 086
	401 000	184 086
Balance, December 31	**$ 682 071**	$ 263 838

Francana Development Corporation Ltd.
and Subsidiary Companies

Consolidated Statement of Income and Expense

year ended December 31

	1968	1967
Income		
Dividends	**622 356**	412 404
Profit on sale of trading securities	**253 560**	—
Interest	**223 240**	68 514
	1 099 156	480 918
Expense	**65 082**	5 674
Income before provision for diminution in value of trading securities and income taxes	**1 034 074**	475 244
Provision for diminution in value of trading securities (Note 2)	**62 919**	—
Provision for income taxes	**151 922**	27 320
	214 841	27 320
Net Income for the year	**$ 819 233**	$ 447 924

Notes to the financial statements
year 1968

Note 1

In the accompanying consolidated financial statements, the accounts of Francana Development Corporation Ltd. have been consolidated with those of its following subsidiary companies, all of which are wholly-owned: Frandevcor Investments Ltd., Frandevcor Explorations Ltd. (incorporated on November 12, 1968), Frandevcor Ventures Ltd. (incorporated on December 6, 1968).

Frandevcor Explorations Ltd. and Frandevcor Ventures Ltd. had no revenue or expenditure in 1968 as was the case for Frandevcor Investments Ltd. in 1967.

Note 2 Trading Securities

Trading securities are valued at the lower of cost or market value. In this regard a provision of $62 919 has been taken to write down the value of those securities whose market price was lower than their cost as of December 31, 1968. The market value of trading securities was $2 598 030 as at December 31, 1968 and $252 500 as at December 31, 1967.

Note 3 Quoted Investments

The market value of these shares was $11 248 000 as at December 31, 1968 and $3 644 250 as at December 31, 1967.

Auditors' report

To the Shareholders of Francana Development Corporation Ltd.

We have examined the consolidated balance sheet of Francana Development Corporation Ltd. and its subsidiaries as at December 31, 1968 and the consolidated statements of their income and expense and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company and its subsidiaries as at December 31, 1968 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Samson, Bélair, Côté, Lacroix et Associés,
Chartered Accountants

Montreal, February 7, 1969.